

Geothermal Tax Credit

Prior Law

Iowa provides a geothermal heat pump tax credit (the “20% credit”) for Iowa individual income tax liability equal to 20% of the federal residential energy efficient property tax credit allowed for geothermal heat pumps in residential property located in Iowa. The federal credit is set to expire December 31, 2016.

New Provisions

If the federal income tax credit is not extended beyond December 31, 2016, an Iowa income tax credit (the “10% credit”) will become available that is not based on the federal credit amount. The credit will be equal to 10 % of the taxpayer’s qualified expenditures on equipment that uses the ground or groundwater as a thermal energy source to heat the taxpayer’s dwelling, or as a thermal energy sink to cool the dwelling. The equipment must meet the federal energy star program requirements in effect at the time the expenditure is made. The dwelling must be the taxpayer’s residence and be located in Iowa.

For the 10% credit, expenditures are deemed to have been made on the date that installation is complete, or, in the case of new construction, the date the taxpayer begins using the structure.

When multiple housing cooperatives or horizontal property regimes incur expenses that qualify for the 10% credit, taxpayers owning and living in the units are treated as having made their proportionate share of any qualified geothermal heat pump property expenditures made by the cooperative or regime.

The 10% credit is not refundable, but it may be carried forward up to ten years, or until depleted, whichever is earlier.

The 10% credit is not available in years in which the federal residential energy efficient property tax credit for geothermal heat pumps is available. Expenditures used to calculate the federal credit may not be used to calculate the 10% credit. However, the 20% credit has not been repealed, and it will be available in years in which the federal credit is available if the federal credit is extended beyond December 31, 2016.

Section Amended

Section 2 of 2016 Iowa Acts House File 2468 adds new Section 422.10A, Code 2016.

Effective Date _____

January 1, 2017

The credit is applicable to qualified expenditures incurred on or after January 1, 2017.